

**LEGISLATIVE BUDGET BOARD**  
**Austin, Texas**

**FISCAL NOTE, 83RD LEGISLATIVE REGULAR SESSION**

**April 29, 2013**

**TO:** Honorable Harvey Hilderbran, Chair, House Committee on Ways & Means

**FROM:** Ursula Parks, Director, Legislative Budget Board

**IN RE:** **HB3454** by Eiland (relating to an exemption from the franchise tax for certain insurance entities.), **Committee Report 1st House, Substituted**

<p><b>No significant fiscal implication to the State is anticipated.</b></p>
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The bill would amend Chapter 171 of the Tax Code, regarding the franchise tax, by changing provisions for the exemption of insurance companies from the franchise tax. The bill would delete a reference in current law to Chapter 4 or Chapter 9 of the Insurance Code. Under the bill's language the exemption from the franchise tax would apply to an authorized insurance business that is required to pay an annual tax measured by gross premium receipts. The bill would add language that would exempt from the franchise tax a nonadmitted insurance organization that is subject to an occupation tax or any other tax that is imposed for the privilege of doing business in another state or a foreign jurisdiction, including a tax on gross premium receipts.

Under the bill's provisions an authorized insurance company that is required to pay an annual tax to any state measured by gross premium receipts would be exempt from the franchise tax in Texas. Under current Comptroller rules, authorized insurance companies are exempt from the franchise tax if they are subject to the annual gross premium tax levied by the Insurance Code in Chapters 221-224. Those chapters replaced the references that would be deleted by the bill. The bill would not necessitate a change to the rule. No fiscal impact would result from that change made by the bill.

The other change the bill would make would affect nonadmitted surplus line insurers who are not currently exempt from the franchise tax. Most companies in this group are not set up as taxable entities for the franchise tax. The ones that are may be impacted by the resolution of the Atlantic Casualty Insurance Co v. Combs, et al, case. The fiscal impact of this change could not be estimated.

The bill would take effect on January 1, 2014, and apply to reports due on or after that date.

**Local Government Impact**

No fiscal implication to units of local government is anticipated.

**Source Agencies:** 304 Comptroller of Public Accounts

**LBB Staff:** UP, KK, SD